

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other				Local Unit Name Polly Ann Trailway Management Council, Inc		County Oakland	
Fiscal Year End September 30, 2005		Opinion Date December 30, 2005		Date Audit Report Submitted to State August 1, 2006			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

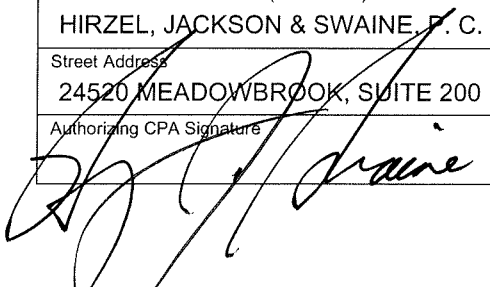
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>		Enclosed	Not Required (enter a brief justification)	
Financial Statements		<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations		<input type="checkbox"/>	No items came to our attention requiring a management letter.	
Other (Describe)		<input type="checkbox"/>		
Certified Public Accountant (Firm Name) HIRZEL, JACKSON & SWAINE, P. C.			Telephone Number 248-442-9911	
Street Address 24520 MEADOWBROOK, SUITE 200			City NOVI	State MI
Zip 48375				
Authorizing CPA Signature 		Printed Name BENJAMIN J. SWAINE		License Number 8039

**POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.**

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FINANCIAL STATEMENTS  
and  
ADDITIONAL INFORMATION  
with  
INDEPENDENT ACCOUNTANTS' REPORT  
  
YEAR ENDED SEPTEMBER 30, 2005

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HIRZEL, JACKSON &amp; SWAINE, P.C.

Certified Public Accountants

24520 MEADOWBROOK - SUITE 200 - NOVI, MI 48375 - (248) 442-9911  
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INDEPENDENT ACCOUNTANTS' REPORT

The Board of Directors  
Polly Ann Trailway Management Council, Inc.  
Leonard, Michigan

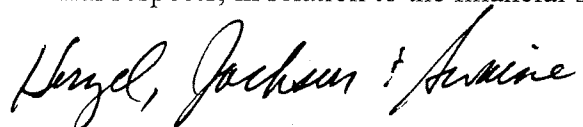
We have audited the accompanying statement of financial position of Polly Ann Trailway Management Council, Inc. (a nonprofit corporation), as of September 30, 2005, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Polly Ann Trailway Management Council, Inc. as of September 30, 2005, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule on page 8 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.



December 30, 2005

## POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

## STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2005

ASSETS

## Current assets:

Cash	\$ 93,444
Grants receivable	26,936
Prepaid expenses	<u>3,619</u>

Total current assets	<u>123,999</u>
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Property and equipment, net of accumulated depreciation of \$7,041	<u>24,587</u>
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	<u><u>\$ 148,586</u></u>
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LIABILITIES AND NET ASSETS

## Current liabilities:

Accounts payable and accrued expenses	\$ 23,573
Deferred revenue	<u>3,338</u>
	<u>26,911</u>

## Net Assets:

Unrestricted	112,675
Temporarily restricted	<u>9,000</u>

Total net assets	<u>121,675</u>
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Total liabilities and net assets	<u><u>\$ 148,586</u></u>
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The accompanying notes are an integral part  
of the financial statements.

## POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

## STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2005

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Public support and revenue:			
Public Support:			
Contributions	\$ 45,363	\$ -	\$ 45,363
Municipal support	57,325	-	57,325
Donated facilities	3,900	-	3,900
Membership dues	50	-	50
Events	799	-	799
Interest income	<u>7,632</u>	<u>-</u>	<u>7,632</u>
Total public support	<u>115,069</u>	<u>-</u>	<u>115,069</u>
Release of temporarily restricted net assets	<u>490,000</u>	<u>(490,000)</u>	<u>-</u>
	605,069	(490,000)	115,069
Functional expenses:			
Program services	591,375	-	591,375
Supporting services:			
Management and general expenses	27,746	-	27,746
Fund-raising expenses	<u>6,123</u>	<u>-</u>	<u>6,123</u>
Total functional expenses	<u>625,244</u>	<u>-</u>	<u>625,244</u>
Change in net assets	(20,175)	(490,000)	(510,175)
Balance at beginning of year	<u>132,850</u>	<u>499,000</u>	<u>631,850</u>
Balance at end of year	<u>\$ 112,675</u>	<u>\$ 9,000</u>	<u>\$ 121, 675</u>

The accompanying notes are an integral part  
of the financial statements.

## POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

## STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2005

Cash flows provided by operating activities:	
Change in net assets:	\$ (510,175)
Adjustments to reconcile cash flows provided by operating activities to net cash:	
Depreciation	3,136
Increase in grants receivable	(26,936)
Increase in prepaid expenses	(2,510)
Increase in accounts payable and accrued expenses	21,344
Increase in deferred revenue	<u>3,338</u>
Net cash flows used-in operating activities	<u>(511,803)</u>
Decrease in cash and cash equivalents	(511,803)
Cash and cash equivalents at beginning of year	<u>605,247</u>
Cash and cash equivalents at end of year	<u>\$ 93,444</u>

The accompanying notes are an integral part  
of the financial statements.

## POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

## NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2005

1. Summary of accounting policies

This summary of significant accounting policies of Polly Ann Trailway Management Council, Inc. is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Program

Polly Ann Trailway Management Council, Inc. (the "Organization") is a not-for-profit corporation organized to develop and maintain a recreational trail on land owned by the Michigan Department of Natural Resources in Oakland County, Michigan. The Organization was created in 1997 under an agreement between five governmental entities in Oakland County, each represented on the governing council of the Organization.

Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and demand deposits in banks plus short term investments that are readily convertible to cash as well as investments with original maturities of three months or less.

Basis of accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Recognition of donor restricted contributions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

1. Summary of accounting policies, (continued)

Property and equipment

Property and equipment purchased by the Organization is carried on its books at cost. Expenditures for major betterments and additions are charged to the equipment accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently.

Depreciation of equipment is provided under the straight-line method over the estimated useful lives of five or ten years.

Financial statement presentation and contributions

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Organization has received contributions with donor-imposed restrictions that would result in temporarily restricted net assets. No contributions were received by the organization that would result in permanently restricted net assets.

Income taxes

The Organization is a non-profit organization exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore, is not subject to tax under Federal income tax laws.

2. Credit risk

The Organization does not believe it is exposed to any significant credit risks in cash and short-term investments.

3. Donated services

No amounts have been reflected in the statements for volunteer services. However, volunteers have donated significant amounts of time to the Organization's services during the year ended September 30, 2005.

4. Temporarily restricted net assets

Temporarily restricted net assets are available as of September 30, 2005 for the following purposes:

Tri-County Bicycle Foundation, trail spur

\$ 9,000

4. Temporarily restricted net assets, continued

Net assets were released from restrictions by incurring expenses satisfying the purpose specified by the donors as follows:

Community Foundation, trail development	\$ 240,000
Chrysler Foundation, trail development	<u>250,000</u>
	<u>\$ 490,000</u>

5. Related party transaction

During the year ended September 30, 2005, the organization utilized office space owned by the Village of Leonard. The Village of Leonard is a governing council member of the organization. The organization has waived the Village of Leonard's municipal support of \$1,175 in lieu of office rent. In addition, the Village of Leonard is donating office space in the amount of \$2,725 based upon the estimated fair market value of the office space.

6. Commitments

On July 13, 2005, Polly Ann Trailway Management Council, Inc. (Council) entered into an agreement with Road Commission for Oakland County (RCOC) to construct improvements to the trailway. The Council's responsibilities under the agreement include meeting the match requirements, funding any unreimbursed or cost overruns of the project and maintaining the trailway once construction is complete. The Council paid the matching funds of \$527,933 to the RCOC on July 16, 2005 as specified in the agreement. As of September 30, 2005, construction was not complete and it was not possible to ascertain if there would be cost overruns on the project.

## **ADDITIONAL INFORMATION**

## POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

## BUDGETARY COMPARISON SCHEDULE

YEAR ENDED SEPTEMBER 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Net assets - beginning of year	\$ 631,850	\$ 631,850	\$ 631,850	\$ -
Resources (Inflows)				
Contributions	60,000	56,562	45,363	(11,199)
Municipal support	58,500	58,500	57,325	(1,175)
Donated facilities	4,250	4,250	3,900	(350)
Membership dues	500	100	50	(50)
Events	2,200	1,200	799	(401)
Interest income	<u>6,200</u>	<u>7,150</u>	<u>7,632</u>	<u>482</u>
	<u>131,650</u>	<u>127,762</u>	<u>115,069</u>	<u>(12,693)</u>
Charges to appropriations (Outflows)				
Trail development	503,677	567,933	573,296	5,363
Miscellaneous trail expenses	1,650	2,100	1,676	(424)
Management fees	30,000	30,000	30,000	-
Advertising	1,350	450	271	(179)
Professional fees	6,100	8,600	8,588	(12)
Events	2,500	200	123	(77)
Rent	4,250	4,250	3,900	(350)
Telephone	500	600	540	(60)
Insurance	2,700	2,700	2,676	(24)
Office supplies and expenses	1,560	1,900	925	(975)
Depreciation	-	-	3,136	3,136
Property tax	<u>-</u>	<u>-</u>	<u>113</u>	<u>113</u>
	<u>554,287</u>	<u>618,733</u>	<u>625,244</u>	<u>6,511</u>
Net assets - end of year	<u>\$ 209,213</u>	<u>\$ 140,879</u>	<u>\$ 121,675</u>	<u>\$ (19,204)</u>

The accompanying independent accountants' report  
should be read with this information.

## POLLY ANN TRAILWAY MANAGEMENT COUNCIL, INC.

## SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2005

	Program Services	Supporting Services		Total
		Management and General	Fund-raising	
Trail development	\$ 573,296	\$ -	\$ -	\$ 573,296
Miscellaneous trail expenses	1,676	-	-	1,676
Management fees	12,000	12,000	6,000	30,000
Advertising	-	271	-	271
Professional fees	-	8,588	-	8,588
Events	-	-	123	123
Rent	1,560	2,340	-	3,900
Telephone	-	540	-	540
Insurance	-	2,676	-	2,676
Office supplies and expenses	-	925	-	925
Depreciation	2,730	406	-	3,136
Property tax	<u>113</u>	<u>-</u>	<u>-</u>	<u>113</u>
	<u>\$ 591,375</u>	<u>\$ 27,746</u>	<u>\$ 6,123</u>	<u>\$ 625,244</u>

The accompanying independent accountants' report  
should be read with this information.